



TOM TINDALL
Director

County of Los Angeles
INTERNAL SERVICES DEPARTMENT

1100 North Eastern Avenue
Los Angeles, California 90063

"To enrich lives through effective and caring service"

Telephone: (323) 267-2101
FAX: (323) 264-7135

March 06, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**TERMINATION OF CUSTODIAL SERVICES CONTRACT FOR INSOLVENCY
(ALL DISTRICTS – 3 VOTES)**

SUBJECT

Termination of a custodial services contract with K.C. Building Maintenance, Inc., for insolvency.

IT IS RECOMMENDED THAT YOUR BOARD:

Terminate custodial services contract number 75320 with K.C. Building Maintenance, Inc., in whole, for insolvency.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

K.C. Building Maintenance, Inc. (KCBM) currently provides custodial services to twenty-four (24) facilities countywide (Attachment I).

On February 29, 2012, KCBM notified the Internal Services Department (ISD) that it had been served with a Tax Levy of \$523,949 by the Internal Revenue Service (IRS), and that its financial accounts and assets have been frozen. KCBM provided ISD with a copy of the Notice of Levy against KCBM from the IRS.

The circumstances surrounding KCBM's lack of financial stability warrant the immediate termination of its contract with the County. The termination will be effective the date following Board action.

Implementation of Strategic Plan Goals

The recommended action supports County Strategic Plan Goal Number 1 (Operational Effectiveness) by ensuring the timely delivery of efficient public services.

FISCAL IMPACT/FINANCING

The custodial services currently provided by KCBM will be redistributed among other current custodial contractors at no additional cost to the County.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On June 21, 2005, your Board approved a contract for custodial services with KCBM for three years with two one-year extension options. The contract was subsequently extended under the County's Contract Reduction/Contract Extension Initiative in September 2009 after KCBM offered, and the County agreed to accept, a five percent reduction in the annual contract cost in consideration of a two-year contract term extension. The contract now expires on June 20, 2012, and includes an option to extend on a month-to-month basis for up to six months through December 20, 2012.

Due to the severity of KCBM's financial situation, ISD recommends that your Board terminate the contract with KCBM pursuant to Section 8.44, Termination for Insolvency. The specific contractual provision that was violated is identified in Attachment II.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Following approval of the recommended actions, ISD will redistribute the facilities that are currently under contract with KCBM among other existing custodial contractors at no additional cost to the County. There will be no gap or disruption in services.

The Honorable Board of Supervisors

3/6/2012

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Respectfully submitted,

A handwritten signature in dark ink that reads "Tom Tindall". The signature is written in a cursive, flowing style.

TOM TINDALL

Director

TT:YY

Enclosures

c: Chief Executive Officer
County Counsel
Auditor-Controller

**KC BUILDING MAINTENANCE, INC.
CONTRACT #75320**

ATTACHMENT I

NO.	FACILITY LOCATION	ADDRESS	CITY
1	CAO	510 So. Vermont Ave.	Los Angeles
2	Com. & Sr. Citizen Services	3175 W. 6th St.	Los Angeles
3	Courts	300 E. Olive Ave.	Burbank
4	Courts	210 W. Temple St.	Los Angeles
5	Courts	1601 Eastlake Ave.	Los Angeles
6	DPSS	2855 Olympic Blvd.	Los Angeles
7	DPSS	2415 W. 6th Street	Los Angeles
8	DPSS	5445 Whittier Blvd.	Los Angeles
9	DPSS	2601 Wilshire Blvd.	Los Angeles
10	Mental Health	550 So. Vermont Ave.	Los Angeles
11	Parks & Recreation	433 So. Vermont Ave.	Los Angeles
12	Probation	433 Bauchet St.	Los Angeles
13	Sheriff	2020 W. Beverly Blvd.	Los Angeles
14	Probation Department & Public Works	1320/13330 West Imperial Blvd.	Los Angeles
15	DPSS	923 E. Redondo Beach Blvd.	Inglewood
16	Sheriff	1060 N. Eastern Ave.	Los Angeles
17	Mental Health/Camp Afflerbaugh/Paige School Building Room 4	6631 N. Stephen Ranch Road	La Verne
18	Mental Health/Dorothy Kirby Probation Camp	1500 S. McDonnell Ave.	Commerce
19	SGV Regional Services Office	1441 Santa Anita Ave.	South El Monte
20	SGV Investigations and Hazmat Control	5110 N. Peck Road	El Monte
21	OPS Whittier Narrows Station	1000 N. Durfee Ave.	South El Monte
22	DPSS GAIN Region III	3216 N. Rosemead Blvd.	El Monte
23	Monrovia Shops-ISD	1703 S. Mountain Ave.	Monrovia
24	Monrovia Shops / P&R Offices	1703 S. Mountain Ave.	Monrovia

CONTRACTUAL VIOLATION

8.44 TERMINATION FOR INSOLVENCY

8.44.1 The County may terminate this Contract forthwith in the event of the occurrence of any of the following:

- Insolvency of the Contractor. The Contractor shall be deemed to be insolvent if it has ceased to pay its debts for at least sixty (60) days in the ordinary course of business or cannot pay its debts as they become due, whether or not a petition has been filed under the Federal Bankruptcy Code and whether or not the Contractor is insolvent within the meaning of the Federal Bankruptcy Code;
- The filing of a voluntary or involuntary petition regarding the Contractor under the Federal Bankruptcy Code;
- The appointment of a Receiver or Trustee for the Contractor; or
- The execution by the Contractor of a general assignment for the benefit of creditors.

8.44.2 The rights and remedies of the County provided in this Subparagraph 8.44 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.